

ORIGINAL



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MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea  
Director  
Utilities Division

*EA for SMD*

DATE: September 6, 2013

RE: PURSUANT TO A PROCEDURAL ORDER ISSUED AUGUST 9, 2013,  
STAFF FILES THIS SUPPLEMENTAL STAFF REPORT (DOCKET NOS. W-  
02026A-11-0470 AND W-02026A-12-0378)

On August 9, 2013, a Procedural Order was issued consolidating the two referenced Dockets. The Procedural Order also required a Supplemental Staff Report be issued since Staff's original Staff Report was filed over a year ago, on May 9, 2012. Staff recommends approval of the rate increase application using Staff's recommended supplemental rates and charges. Staff recommends the approval of a Certificate of Convenience and Necessity and transfer of assets as requested by the Company.

Any party who wishes may file comments to the Supplemental Staff Report with the Commission's Docket Control by 4:00 p.m. on or before September 16, 2013.

SMO:BCA:red

Originator: Brendan C. Aladi

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Service List for: Bidegain Water Company  
Docket Nos. W-02026A-11-0470 and W-02026A-12-0378

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**SUPPLEMENTAL STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**

**BIDEGAIN WATER COMPANY**

**APPLICATIONS FOR  
PERMANENT RATE INCREASE  
W-02026A-11-0470**

**AND**

**CERTIFICATE OF CONVENIENCE AND NECESSITY ("CC&N")  
AND TRANSFER OF ASSETS  
W-02026A-12-0378**

**SEPTEMBER 6, 2013**

## STAFF ACKNOWLEDGMENT

The Supplemental Staff Report for Bidegain Water Company ("Company"), Docket Nos. W-02026A-11-0470 and W-02026A-12-0378 was the responsibility of the Staff member listed below. Brendan C. Aladi was also responsible for the financial review and analysis of the Company's applications.

A handwritten signature in black ink, appearing to read "Brendan C. Aladi", with a stylized flourish at the end.

Brendan C. Aladi  
Public Utilities Analyst III

**EXECUTIVE SUMMARY**  
**BIDEGAIN WATER COMPANY**  
**DOCKET NOS. W-02026A-11-0470 AND W-02026A-12-0378**

On December 27, 2011, Bidegain Water Company (“Bidegain” or “Company”) filed an application for a permanent rate increase with the Arizona Corporation Commission (“Commission”).

On May 9, 2012, Staff filed its Staff Report recommending approval of Staff’s proposed rates and charges, but recommending that the new rates not take effect until after the Company had received a Certificate of Convenience and Necessity (“CC&N”).

On August 29, 2012, Bidegain filed an application with the Commission for a CC&N to provide water service in Pinal County, Arizona.

Bidegain is a Class E sole-proprietorship that is an Arizona public service corporation that provides potable water service to approximately 20 metered customers. The Company’s service area is located near Kearny, in Pinal County, Arizona.

Bidegain proposed a \$4,809 or a 95.40 percent revenue increase over the test year revenue of \$5,041 to \$9,850. The Company’s proposed revenues would result in an operating loss of \$162 and a negative cash flow. The Company’s proposed rates would increase the typical residential bill with a median usage of 7,321 gallons from \$19.47 to \$37.96, for an increase of \$18.49, or 95.0 percent.

Staff recommends a \$5,185 or a 101.97 percent revenue increase over the Staff-adjusted test year revenue of \$5,085 to \$10,270. Staff’s recommended revenues would result in an operating income of \$1,000 for a cash flow of \$2,521. Staff’s recommended rates would increase the typical residential bill with a median usage of 7,321 gallons from \$19.47 to \$32.93, for an increase of \$13.46, or 69.1 percent.

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## **INTRODUCTION**

Bidegain Water Company ("Bidegain" or "Company") is a Class E sole-proprietorship that is an Arizona public service corporation that provides potable water service to approximately 20 metered customers in Pinal County, Arizona.

On December 27, 2011, Bidegain filed an application for a permanent rate increase with the Arizona Corporation Commission ("Commission"). On May 9, 2012, Staff filed its Staff Report recommending approval of Staff's proposed rates and charges, but recommending that the new rates not take effect until after the Company had received a Certificate of Convenience and Necessity ("CC&N").

On May 25, 2012, a Procedural Order was issued ordering the Company to file an application for approval of a CC&N and suspended the time clock in the rate case proceeding.

On August 29, 2012, Bidegain filed an application with the Commission for a CC&N to provide water service in Pinal County, Arizona.

On August 9, 2013, the ALJ issued a Procedural Order consolidating the two Dockets, rate case application (W-02026A-11-0470) and the CC&N application (W-02026A-12-0378).

Staff note's that the Schedules and figures remain the same now as when the Staff Report was filed on May 9, 2012.

Discussion with the Company's representative disclosed that the test year ended December 31, 2010, is representative of its current operations and no significant changes have occurred.

## **ENGINEERING ANALYSIS AND RECOMMENDATIONS**

A complete discussion of Staff's engineering technical findings and recommendations and a complete description of the water system are provided in the original filing of the Staff Engineering Report.

## **CC&N ANALYSIS**

A complete discussion of Staff's CC&N findings and recommendations are provided in the CC&N Staff Report.

## **CONCLUSIONS**

1. The Bidegain water system has adequate well production and storage capacity to serve its present customer base and reasonable growth.

2. The Company is in compliance with the Arizona Department of Environmental Quality, Arizona Department of Water Resources and Arizona Corporation Commission regulations.

#### **STAFF RECOMMENDATIONS**

1. Staff recommends approval of the Staff-recommended rates and charges as shown in Schedule BCA-4.
2. Staff recommends approval of the transfer of the Bidegain assets to Mr. Darrel Wallace.
3. Staff recommends that the Company be ordered to file with Docket Control, as a compliance item in this docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.
4. Staff recommends that the Company be ordered to use the depreciation rates delineated in Table B of the attached Engineering Report.
5. Staff recommends that, within 13 months of the effective date of the decision in this case, the Company file, as a compliance item in this docket, a 12-month Water Use Data Report indicating gallons pumped from its wells, based on the records of two well meters, gallons sold, number of customers and water loss percentage for each month during the year. Staff further recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis to ensure that an accurate accounting of the monthly water loss in the water system can be determined.
6. Due to the unknown gallons pumped during the test year, Staff is unable to determine water loss in the water system. Staff recommends that, in the event the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall evaluate its water system and submit a water loss reduction report containing a detailed analysis and plan to reduce the water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. If the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall file the water loss reduction report or the detailed analysis, whichever is submitted, with Docket Control, as a compliance item in this docket, within 13 months of the effective date of the decision in this case.
7. Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that substantially conform to



the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. Staff further recommends that a maximum of two of these BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories of the BMP's. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

Bidegain Water Company  
Docket No. W-02026A-11-0470  
Test Year Ended December 31, 2010

Schedule BCA-1

## SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$2,791	\$5,085	\$9,850	\$10,270
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	2,250	0	0	0
Total Operating Revenue	\$5,041	\$5,085	\$9,850	\$10,270
Operating Expenses:				
Operation and Maintenance	\$9,684	\$7,407	\$9,684	\$7,407
Depreciation	0	1,521	0	1,521
Property & Other Taxes	328	255	328	341
Income Tax	0	0	0	0
Total Operating Expense	\$10,012	\$9,183	\$10,012	\$9,270
Operating Income/(Loss)	(\$4,971)	(\$4,098)	(\$162)	\$1,000
Rate Base O.C.L.D.	\$3,000	\$7,961	\$3,000	\$7,961
Rate of Return - O.C.L.D.	N/M	N/M	N/M	12.57%
Operating Margin	N/M	N/M	N/M	9.74%
Cash Flow	N/M	N/M	N/M	\$2,521

## RATE BASE

	----- Original Cost -----		
	Company	Adjustment	Staff
Plant in Service	\$35,596	\$5,889 A	\$41,485
Less:			
Accum. Depreciation	32,596	1,623 B	34,219
<b>Net Plant</b>	<b>\$3,000</b>	<b>\$4,266</b>	<b>\$7,266</b>
Less:			
Plant Advances	0	0	0
Accumulated Deferred Income Taxes	-	0	-
<b>Total Advances</b>	<b>-</b>	<b>0</b>	<b>-</b>
Contributions Gross	0	0	0
Less:			
Amortization of CIAC	0	0	0
<b>Net CIAC</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Deductions</b>	<b>-</b>	<b>0</b>	<b>-</b>
Plus:			
1/24 Power	0	\$115 C	\$115
1/8 Operation & Maint.	0	580 D	580
Inventory	0	0	0
Prepayments	0	0	0
<b>Total Additions</b>	<b>\$0</b>	<b>\$695</b>	<b>\$695</b>
<b>Rate Base</b>	<b>\$3,000</b>	<b>\$4,961</b>	<b>\$7,961</b>

*Explanation of Adjustment:*

- A - Refer to Schedule BCA-2, Page 2
- B - Refer to Schedule BCA-2, Page 4
- C - Refer to Schedule BCA-2, Page 5
- D - Refer to Schedule BCA-2, Page 5

## PLANT ADJUSTMENTS

	Company Exhibit	Adjustment		Staff Adjusted
301 Organization	\$0	\$0		\$0
302 Franchises	0	0		0
303 Land & Land Rights	3,000	0		3,000
304 Structures & Improvements	18,000	(18,000)	a	0
307 Wells & Springs	3,700	18,000	b	21,700
311 Electrical Pumping Equipment	500	5,889	c	6,389
320 Water Treatment Equipment	0	0		0
330 Distribution Reservoirs & Standpipes	0	0		0
330.1 Storage Tank	1,451	0		1,451
330.2 Pressure Tank	0	0		0
331 Transmission & Distribution Mains	8,945	0		8,945
333 Services	0	0		0
334 Meters & Meter Installations	0	0		0
335 Hydrants	0	0		0
336 Backflow Prevention Devices	0	0		0
339 Other Plant and Misc. Equipment	0	0		0
340 Office Furniture & Equipment	0	0		0
341 Transportation Equipment	0	0		0
343 Tools Shop & Garage Equipment	0	0		0
344 Laboratory Equipment	0	0		0
345 Power Operated Equipment	0	0		0
346 Communication Equipment	0	0		0
347 Miscellaneous Equipment	0	0		0
348 Other Tangible Plant	0	0		0
105 C.W.I.P.	0	0		0
<b>TOTALS</b>	<b>\$35,596</b>	<b>\$5,889</b>	<b>A</b>	<b>\$41,485</b>

## STAFF PLANT ADJUSTMENTS

a -	STRUCTURES AND IMPROVEMENTS - Per Company	\$ 18,000
	Per Staff	<u>0 \$ (18,000)</u>

To transfer \$18,000 from structures and improvements to wells and springs that was incorrectly classified.

b -	WELLS AND SPRINGS - Per Company	\$ 3,700
	Per Staff	<u>21,700 \$ 18,000</u>

To add \$18,000 to wells and springs that was incorrectly classified as structures and improvements.

c -	Electrical Pumping Equipment - Per Company	\$ 500
	Per Staff	<u>6,389 \$ 5,889</u>

To capitalize \$3,389 in costs incurred for electrical pumping equipment that were inappropriately expensed and add \$2,500 in electrical pumping equipment.

## ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
B - Accumulated Depreciation - Per Company	\$ 32,596
Accumulated Depreciation - Per Staff	<u>34,219</u>
<b>Total Adjustment</b>	<b><u><u>\$1,623</u></u></b>

ACCT		ACCUMULATED DEPRECIATION		
No.	Description	Staff Calculated	Company Application	Staff Adjustment
301	Intangibles	\$ -	\$ -	\$ -
303	Land and Land Rights	-	-	-
304	Structures and Improvements	-	18,000	(18,000)
307	Wells and Srings	20,863	3,700	17,163
311	Electrical Pumping Equipment	2,960	500	2,460
320	Water Treatment Equipment	-	-	-
330	Distribution Reservoirs & Standpipes			
330.1	Storage Tank	-	-	-
330.2	Pressure Tank	1,451	1,451	-
331	Transmission and Distribution Mains	8,945	8,945	-
333	Services	-	-	-
334	Meters and Meter Installation	-	-	-
335	Hydrants	-	-	-
339	Other Plant and Miscellaneous Equipment	-	-	-
340	Office Furniture and Fixtures	-	-	-
340.1	Computers and Software	-	-	-
341	Transportation Equipment	-	-	-
343	Tools and Work Equipment	-	-	-
345	Power Operated Equipment	-	-	-
346	Communications Equipment	-	-	-
348	Other Tangible Plant	-	-	-
	Total	<u>\$ 34,219</u>	<u>\$ 32,596</u>	<u>\$ 1,623</u>

## WORKING CAPITAL ADJUSTMENTS

C - WORKING CAPITAL (1/24 Purchased Pwr & Wtr) Per Company  
Per Staff

	\$0	
	\$115	\$ 115

To reflect Staff's calculation of cash working capital based on Staff's recommendations for purchased power and purchase water.

D - WORKING CAPITAL (1/8 operation & Maint exp.) Per Company  
Per Staff

	\$0	
	580	\$ 580

To reflect Staff's calculation of cash working capital based on Staff's recommendations for operation and maintenance expense (excluding purchased power and purchased water expenses).

## STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments		Staff Adjusted
Revenues:				
461 Metered Water Revenue	\$2,791	\$2,294 A		\$5,085
460 Unmetered Water Revenue	0	0		0
474 Other Water Revenues	2,250	(2,250) B		0
<b>Total Operating Revenue</b>	<b>\$5,041</b>	<b>\$44</b>		<b>\$5,085</b>
Operating Expenses:				
601 Salaries and Wages	\$0	\$0		\$0
610 Purchased Water	0	0		0
615 Purchased Power	2,324	442 C		2,766
618 Chemicals	250	0		250
620 Repairs and Maintenance	5,034	(3,389) D		1,645
621 Office Supplies & Expense	124	(70) E		54
630 Contractual Services Expense	1,378	416 F		1,794
635 Water Testing	574	0		574
641 Rents	0	0		0
650 Transportation Expenses	0	0		0
657 Insurance - General Liability	0	0		0
665 Regulatory Commission Expense	0	0		0
666 Regulatory Commission Expense - Rate Case	0	323 G		323
675 Miscellaneous Expense	0	0		0
403 Depreciation Expense	0	1,521 H		1,521
408 Taxes Other Than Income	97	(97) I		0
408.11 Property Taxes	231	24 J		255
409 Income Tax	0	0		0
<b>Total Operating Expenses</b>	<b>\$10,012</b>	<b>(\$829)</b>		<b>\$9,183</b>

<b>OPERATING INCOME/(LOSS)</b>	<b>(\$4,971)</b>	<b>\$873</b>	<b>(\$4,098)</b>
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## STAFF ADJUSTMENTS

A -	METERED WATER REVENUE - Per Company	\$2,791	
	Per Staff	5,085	\$2,294

To add \$2,294 in metered water revenue per Company's submitted bill count.

B -	OTHER WATER REVENUE - Per Company	\$2,250	
	Per Staff	0	(\$2,250)

To transfer \$2,250 from other water revenue to metered water revenue per company's submitted bill count.

C -	PURCHASED POWER - Per Company	\$2,324	
	Per Staff	2,766	\$442

To add \$442 in supported purchased power expense.

D -	REPAIRS AND MAINTENANCE - Per Company	\$5,034	
	Per Staff	1,645	(\$3,389)

To remove and capitalize \$3,389 in costs of electrical pumping equipment.

E -	OFFICE SUPPLIES & EXPENSE - Per Company	\$124	
	Per Staff	54	(\$70)

To remove \$70 in unsupported office supplies expense.

F -	CONTRACTUAL SERVICES - Per Company	\$1,378	
	Per Staff	1,794	\$416

To recognize an additional \$416 in supported contractual services expense.

G -	RATE CASE EXPENSE - Per Company	\$0	
	Per Staff	323	\$323

To reflect a normalized amount of rate case expense based on three years between rate cases.

\$970	Rate Case Expense - Per the first data requests
3	Divided by 3 years
\$ 323	

### STAFF ADJUSTMENTS (Cont.)

H - DEPRECIATION - Per Company \$0  
Per Staff 1,521 \$1,521  
To reflect application of Staff's recommended depreciation rates to  
Staff's recommended plant, by account.

#### Pro Forma Annual Depreciation Expense:

#### Operating Income Adjustment I - Test Year Depreciation Expense

LINE NO.	DESCRIPTION	(A) Plant In Service Per Staff	(B) NonDepreciable or Fully Depreciated Plant	(C) Depreciable Plant Col A - Col B	(D) Depreciation Rate	(E) Depreciation Expense (Col C x Col D)
1	301 - Organization Cost	\$ -	\$ -	-	0.00%	\$ -
2	302 - Franchise Cost	-	-	-	0.00%	-
3	303 - Land and Land Rights	3,000.00	3,000	-	0.00%	-
4	304 - Structures and Improvements	-	-	-	3.33%	-
5	305 - Collecting and Impounding Res.	-	-	-	2.50%	-
6	306 - Lake River and Other Intakes	-	-	-	2.50%	-
7	307 - Wells & Spring	\$21,700	-	21,700	3.33%	723
8	308 - Infiltration Galleries and Tunnels	-	-	-	6.67%	-
9	309 - Supply Main	-	-	-	2.00%	-
10	310 - Power Generation Equip.	-	-	-	5.00%	-
11	311 - Electric Pumping Equipment	\$6,389	-	6,389	12.50%	799
12	320 - Water Treatment Equipment	-	-	-	-	-
13	320.1 Water Treatment Plants	-	-	-	3.33%	-
14	320.2 Solution Chemical Feeders	-	-	-	20.00%	-
15	330 - Distribution Resrvr & Standpipe	-	-	-	-	-
16	330.1 Storage Tanks	\$1,451	1,451	-	2.22%	-
17	330.2 Pressure Tanks	-	-	-	5.00%	-
18	331 - Transmission & Distr. Mains	\$8,945	8,945	-	2.00%	-
19	333 - Services	-	-	-	3.33%	-
20	334 - Meter & Meter Installations	-	-	-	8.33%	-
21	335 - Hydrants	-	-	-	2.00%	-
22	336 - Backflow Prevention Devices	-	-	-	6.67%	-
23	339 - Other Plant & Misc Equipment	-	-	-	6.67%	-
24	340 - Office Furniture and Fixtures	-	-	-	6.67%	-
25	340.1 Computers and Softwares	-	-	-	20.00%	-
26	341 - Transportation Equipment	-	-	-	20.00%	-
27	343 - Tools & Work Equipment	-	-	-	5.00%	-
28	345 - Power Operated Equipment	-	-	-	5.00%	-
29	346 - Communication Equipment	-	-	-	10.00%	-
30	347 - Miscellaneous Equipment	-	-	-	10.00%	-
31	348 - Other Tangible Plant	-	-	-	-	-
32	Total Plant	\$41,485	\$13,396	\$28,089		\$1,521
33						
34	Composite Depreciation Rate (Depr Exp / Depreciable Plant):					5.42%
35	CIAC:				\$	-
36	Amortization of CIAC (Line 33 x Line 34):				\$	-
37						
38	Pro Forma Annual Depreciation Expense					
39						
40	Plant in Service					\$41,485
41	Less: Non Depreciable Plant					3,000
42	Fully Depreciable Plant					13,396
43	Depreciable Plant					\$25,089
44	Times: Staff Proposed Depreciation Rate					5.42%
45	Depreciation Expense Before Amortization of CIAC:				\$	1,521
46	Less Amortization of CIAC:				\$	-
47	Test Year Depreciation Expense - Staff:				\$	1,521
48	Depreciation Expense - Company:				\$	-
49	Staff's Total Adjustment:				\$	1,521

### STAFF ADJUSTMENTS

I -	TAXES OTHER THAN INCOME - Per Company	\$97	
	Per Staff	0	<u>(\$97)</u>

To remove sales taxes paid by customers.  
As a pass-through tax it is not included in  
revenue, so should not be included in expenses.

J -	PROPERTY TAXES - Per Company	\$231	
	Per Staff	255	<u>\$24</u>

To reflect property tax expense using the Arizona  
Department of Revenue property tax method.

## RATE DESIGN

	Present Rates	Company Proposed	Staff Recommended
<u>Monthly Usage Charge</u>			
5/8" x 3/4" Meter	\$9.00	\$16.00	\$ 13.50
3/4" Meter	N/A	N/A	13.50
1" Meter	N/A	N/A	33.75

Gallons in Minimum	0	0	0
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Commodity Rates (Per 1,000 gallons)

Present Rate - All Sizes

5/8 X 3/4 - inch Meter

First Tier - All Usage \$ 1.43

Company Proposed - All Sizes

First Tier - All Usage \$ 3.00

Staff Recommended - All Sizes

First Tier - 0 - 4,000 gallons \$ 2.20

Second Tier - 4,001 - 8,000 gallons \$ 3.20

Third Tier - Over 8,000 gallons \$ 4.60

	Company Current Tariff	Company Service Line Charges	Staff Recommended Meter Charges	Staff Recommended Total Charges
<u>Service Line and Meter Installation Charges</u>				
5/8" x 3/4" Meter	\$120	\$415	\$105	\$520
3/4" Meter	N/A	415	205	\$620
1" Meter	N/A	465	265	\$730
1½" Meter	N/A	520	475	\$995
2" Meter	N/A	800	995	\$1,795
3" Meter	N/A	1,015	1,620	\$2,635
4" Meter	N/A	1,430	2,570	\$4,000
6" Meter Compound	N/A	2,150	4,925	\$7,075

Service Charges

Establishment	N/A	N/A	\$20.00
Establishment (After Hours)	N/A	N/A	N/A
Reconnection (Delinquent)	5.00	50.00	\$20.00
Meter Test (If Correct)	N/A	N/A	\$25.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-Establishment (Within 12 Months)	**	**	**
NSF Check	N/A	25.00	\$25.00
Deferred Payment - Per Month	N/A	N/A	1.50%
Meter Re-Read (If Correct)	\$ 2.50	\$ 2.50	\$10.00
Late Fee	N/A	\$ 5.00	1.50%
After Hours Service Charge (After Hours)	N/A	N/A	\$35.00

\* Per Commission Rules (R14-2-403.B)

\*\* Number of months off system times the monthly minimum (R14-2-403(D)).

N/A = Not Applicable

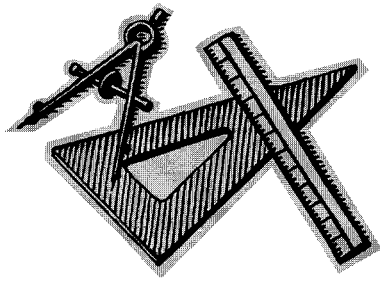
# **TYPICAL BILL ANALYSIS** 5/8 X 3/4 Inch Meter

Average Number of Customers: 20

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	8,838	\$21.64	\$42.51	\$20.87	96.4%
Median Usage	7,321	\$19.47	\$37.96	\$18.49	95.0%
<u>Staff Recommend</u>					
Average Usage	8,838	\$21.64	\$38.96	\$17.32	80.0%
Median Usage	7,321	\$19.47	\$32.93	\$13.46	69.1%

## **Present & Proposed Rates (Without Taxes)** 5/8 X 3/4 Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$9.00	\$16.00	77.8%	\$13.50	50.0%
1,000	10.43	19.00	82.2%	15.70	50.5%
2,000	11.86	22.00	85.5%	17.90	50.9%
3,000	13.29	25.00	88.1%	20.10	51.2%
4,000	14.72	28.00	90.2%	22.30	51.5%
5,000	16.15	31.00	92.0%	24.50	57.9%
6,000	17.58	34.00	93.4%	26.70	63.3%
7,000	19.01	37.00	94.6%	28.90	67.8%
8,000	20.44	40.00	95.7%	31.10	71.7%
9,000	21.87	43.00	96.6%	33.70	81.5%
10,000	23.30	46.00	97.4%	36.30	90.1%
15,000	30.45	61.00	100.3%	47.30	121.0%
20,000	37.60	76.00	102.1%	58.30	140.2%
25,000	44.75	91.00	103.4%	69.30	153.2%
50,000	80.50	166.00	106.2%	128.30	183.6%
75,000	116.25	241.00	107.3%	187.30	195.3%
100,000	152.00	316.00	107.9%	246.30	201.5%
125,000	187.75	391.00	108.3%	305.30	205.4%
150,000	223.50	466.00	108.5%	364.30	208.0%
175,000	259.25	541.00	108.7%	423.30	209.9%
200,000	295.00	616.00	108.8%	482.30	211.3%



**Engineering Report For  
Bidegain Water Company  
Docket No. W-02026A-11-0470 (Rates)**

**February 16, 2012**

**SUMMARY**

**Conclusions**

1. The Arizona Department of Environmental Quality ("ADEQ") has reported that the Bidegain water system is currently delivering water that meets water quality standards required by 40 CFR141/Arizona Administrative Code, Title 18, and Chapter 4, and the water system is in compliance with ADEQ requirements.
2. The Bidegain water system has adequate well production and storage capacities to serve the present customer base and a reasonable level of growth.
3. The Bidegain water system is not located in an Arizona Department of Water Resources ("ADWR") designated Active Management Area.
4. ADWR has determined that the Bidegain water system is not in compliance with ADWR requirements, as the Company has not filed its Community Water System Water Plan.
5. A check with Utilities Division Compliance Section showed that there are currently no delinquent compliance items for the Company.
6. The Company filed a curtailment plan tariff on April 25, 2012.
7. The Company filed a backflow prevention tariff on April 25, 2012.
8. The Company does not have any approved Best Management Practices ("BMPs") tariffs.

**Recommendations**

1. Staff recommends that the Company file as a compliance item in this docket, no later than December 31, 2013, documentation issued by ADWR indicating that the Company's system is in compliance with ADWR requirements.
2. Staff recommends that within 13 months of the effective date of the decision in this case, the Company file as a compliance item in this docket, a 12-month Water Use Data Report

indicating gallons pumped from its wells, based on records of two well meters, gallons sold, number of customers and water loss percentage for each month during the year. Staff further recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis to ensure that an accurate accounting of the monthly water loss in the water system can be determined.

3. Due to the unknown gallons pumped during the test year, Staff is unable to determine water loss in the water system. Staff recommends that if the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall evaluate its water system and submit a water loss reduction report containing a detailed analysis and plan to reduce the water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. If the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall file the water loss reduction report or the detailed analysis, whichever is submitted, with Docket Control, as a compliance item in this docket, within 13 months of the effective date of the decision in this case.
6. Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp> Staff further recommends that a maximum of two of these BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories of the BMP's. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.
7. Staff recommends its annual water testing expense of \$594 be used for purposes of this application.
8. Staff recommends the depreciation rates delineated in Table B, on a going forward basis.
9. Staff recommends its service line and meter installation charges labeled "Staff's Recommendation" in Table C.
10. Staff recommends that any rate increase approved in this matter not become effective until the first day of the month after the Company files with Docket Control, as a compliance item in this docket, documentation issued by ADWR indicating that the Company's system is in compliance with ADWR requirements.

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## **I. INTRODUCTION AND LOCATION OF COMPANY**

On December 27, 2011, Bidegain Water Company, Inc. ("Company" or "Bidegain") filed a rate application with the Arizona Corporation Commission ("ACC" or "Commission"). The Commission Utilities Division Staff ("Staff") engineering review and analysis of the application is presented in this report.

The Company provides water service to approximately 20 customers near Kearny, Pinal County.

The plant facilities were visited on February 7, 2012, by Katrin Stukov, Staff Utilities Engineer, accompanied by the Company's owner Darrell Wallace.

Figure 1 shows the location of the Company within Pinal County and Figure 2 delineates the Company's certificated area which covers approximately 28 acres (less than one square mile).

Figure 1

P I N A L   C O U N T Y

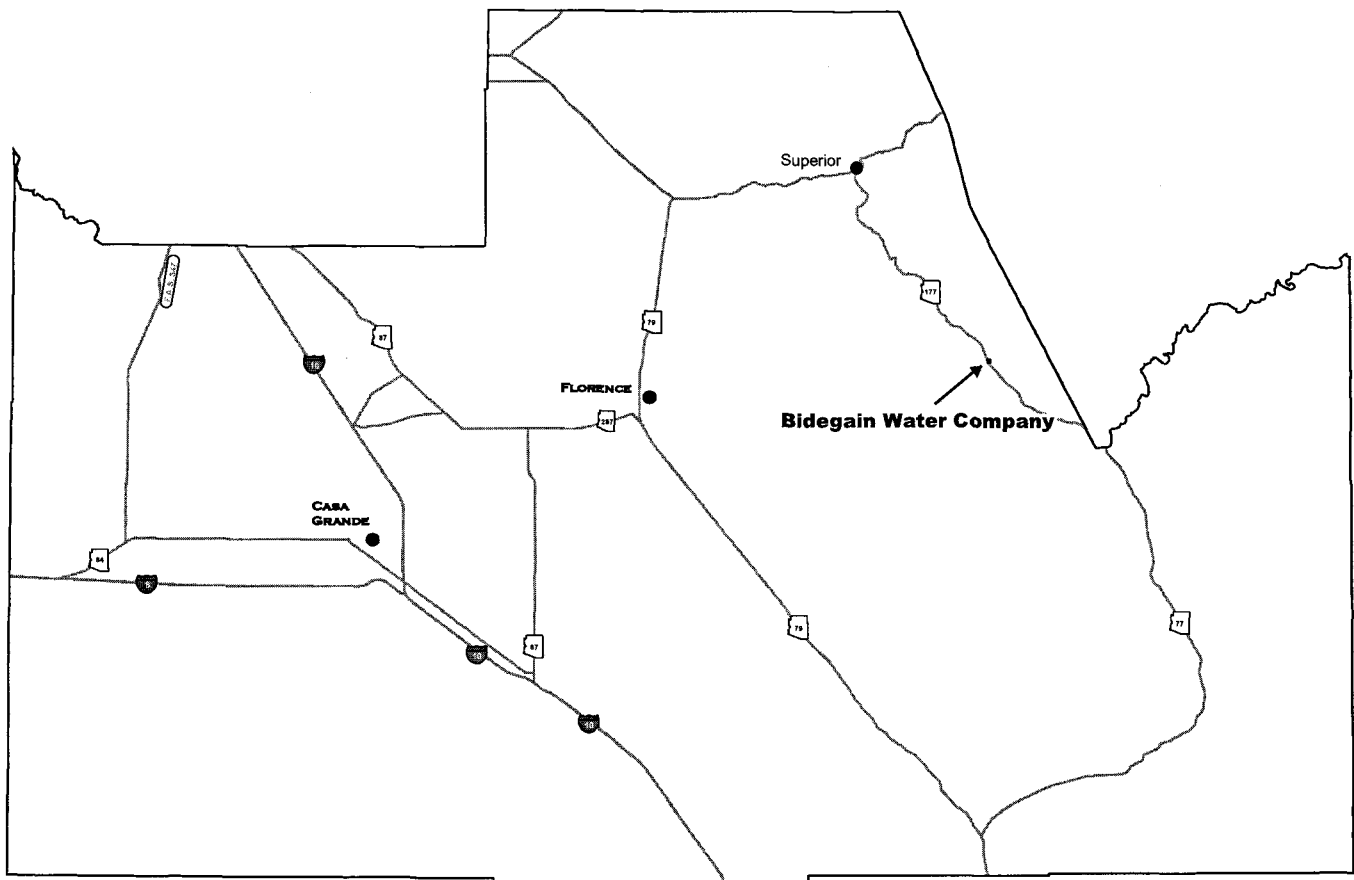
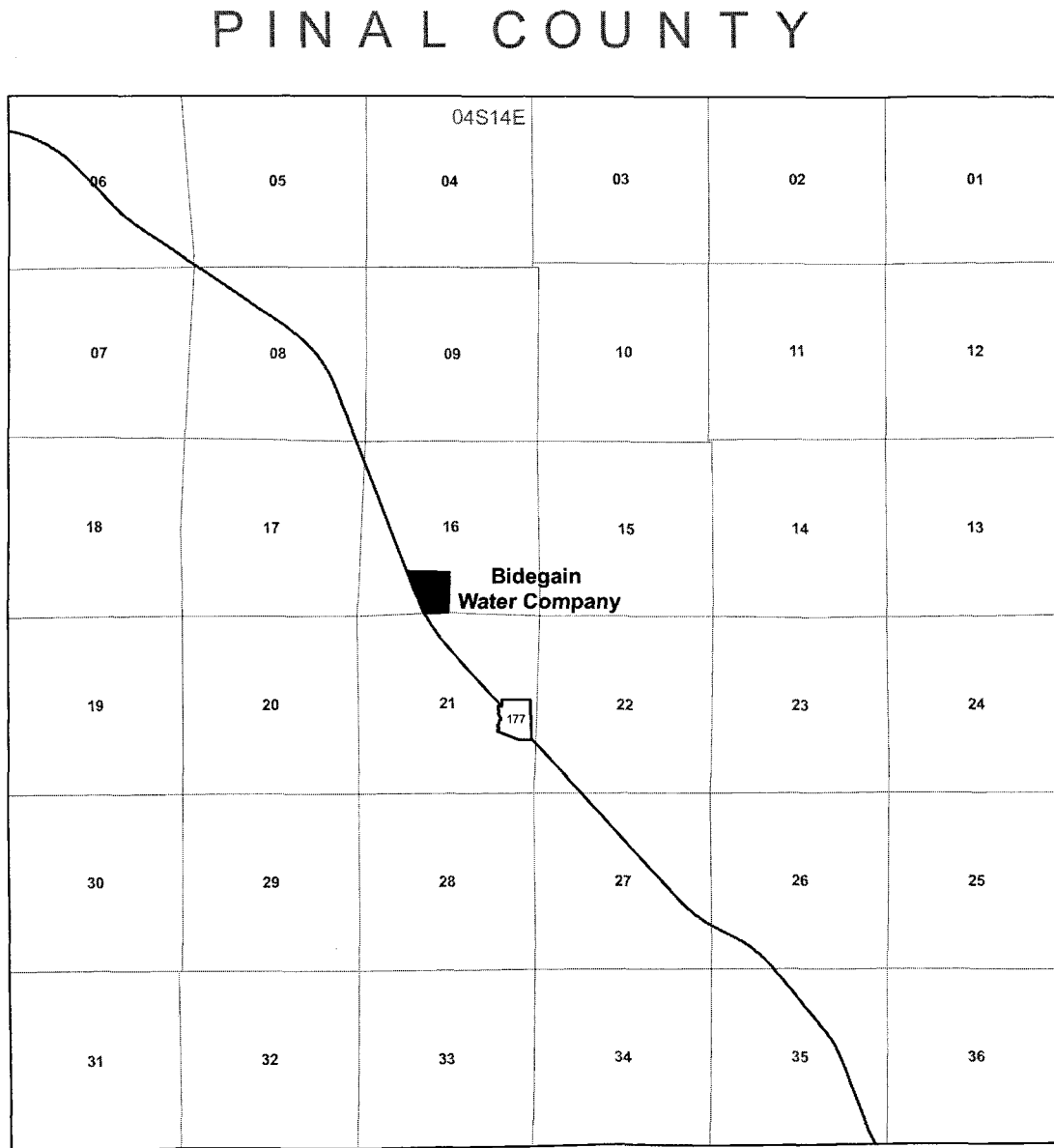


Figure 2



## II. WATER SYSTEM

### 1. Description of the Water System

The Bidegain water system is located approximately one mile north of Kearny, east of Arizona Highway 177 on old Ray Road. The water system includes one active well, one back-up well, two storage tanks, one pressure tank, two booster pumps and a distribution system serving approximately 20 service connections.

A water system schematic is shown in Figure 3 and a plant facilities summary<sup>1</sup> is tabulated below:

Wells

Well number	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
#1	55-612346	5	10	600	8	none <sup>2</sup>	1960
#2	55-529639	5 <sup>3</sup>	25	610	6	1.5	1990

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
10,000	1	1,000	1	2	1
50,000	1			2	1

Mains		
Size (inches)	Material	Length (feet) <sup>4</sup>
2	steel	650
4	steel	1,865

Customer Meters	
Size (inches)	Quantity
5/8x3/4	20

Fire Hydrants
Quantity Standard
1

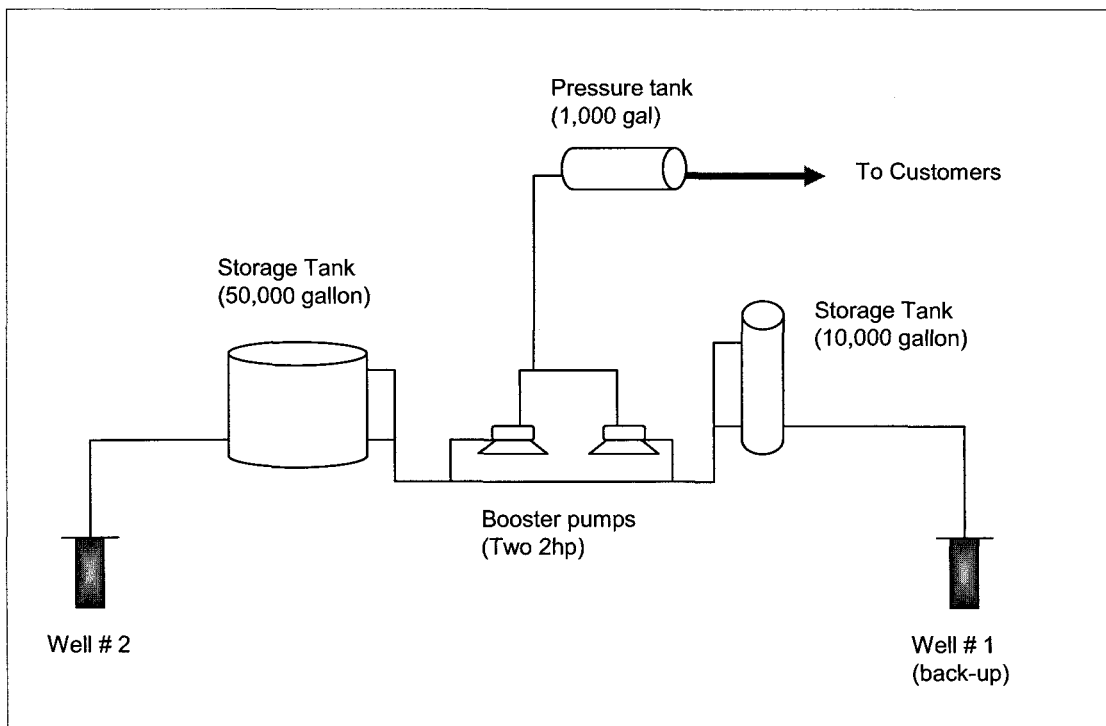
<sup>1</sup> Per Company's Application and site visit

<sup>2</sup> Per Company, the well #1 1-1/2" meter was removed during the well pump inspection/repairs in December 2010.

<sup>3</sup> According to the Company, the well#2 pump was replaced in December 2010.

<sup>4</sup> Per Company's 2010 Annual Report

Figure 3 Bidegain System Schematic

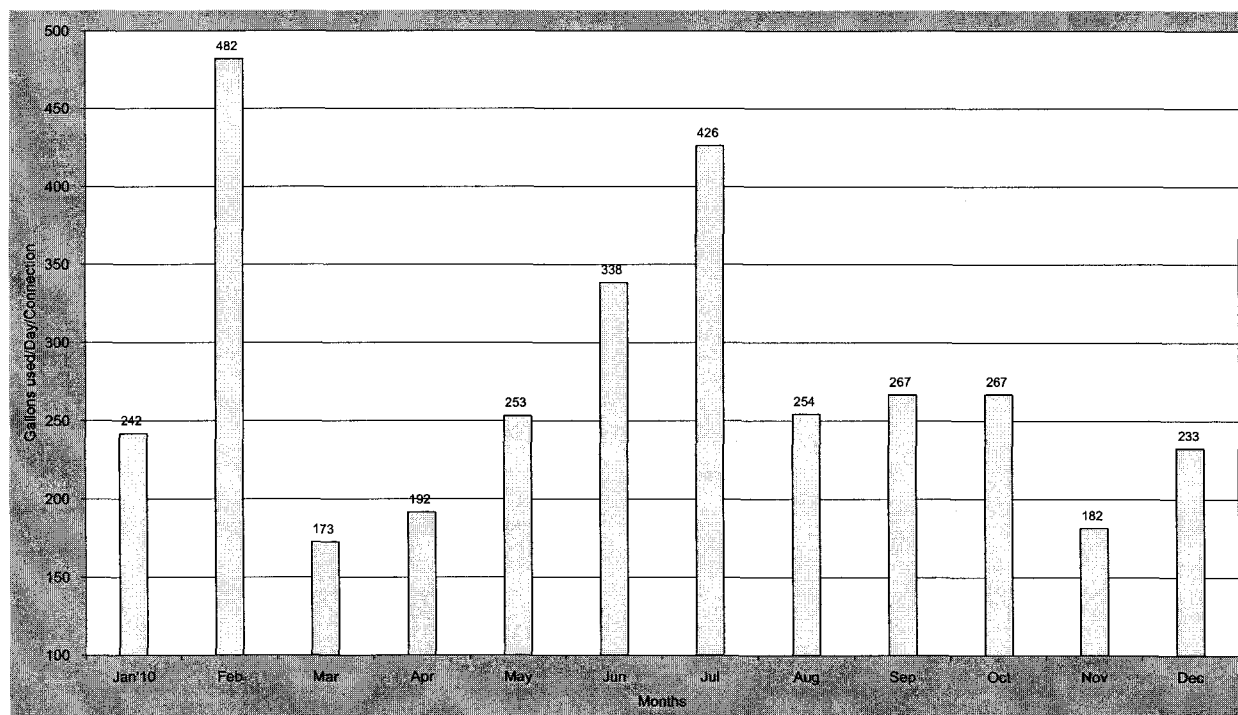


## 2. Water Use

### Water Sold

Figure 4 represents the water consumption data provided by Bidegain in its water use data sheet for the test year ending December 31, 2010. Customer consumption included a high monthly water use of 482 gallons per day (“GPD”) in February, and the low water use was 173 GPD per connection in March. The average annual use was 276 GPD per connection.

Figure 4 Water Use



### Non-account Water

Non-account water should be 10 percent or less, and never more than 15 percent. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a company to identify water and revenue losses due to leakage, theft and flushing.

The Company reported 1,950,000 gallons sold for the test year, however, did not provide data for gallons pumped. The Company does not read well meters and does not record water pumped from each well. Due to the unknown gallons pumped during the test year, Staff is unable to determine water loss in the water system.

Staff recommends that within 13 months of the effective date of the decision in this case, the Company file as a compliance item in this docket, a 12-month Water Use Data Report indicating gallons pumped from its wells, based on records of two well meters, gallons sold, number of customers and water loss percentage for each month during the year. Staff further recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis to ensure that an accurate accounting of the monthly water loss in the water system can be determined.

Staff recommends that if the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall evaluate its water system and submit a water loss reduction report containing a detailed analysis and plan to reduce the water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. If the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall file the water loss reduction report or the detailed analysis, whichever is submitted, with Docket Control, as a compliance item in this docket, within 13 months of the effective date of the decision in this case.

### 3. System Analysis

Based on the water use data provided by Bidegain for the Test Year, Staff concludes that the Company system's water supply capacity of 35 GPM and storage capacity of 60,000 gallons are adequate to serve the present customer base and reasonable growth.

### 4. Growth

Based on customer data obtained from the Company's Annual Reports, Bidegain's customer base declined between 2000 and 2010. A listing of the number of connections at the end of 2000 and 2010 is tabulated below:

2000	2010
24	19

## III. ADEQ COMPLIANCE

### 1. Compliance

The Arizona Department of Environmental Quality ("ADEQ") has reported that the Bidegain water system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4, and the water system is in compliance with ADEQ requirements.<sup>5</sup>

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<sup>5</sup> Per ADEQ Compliance Status Reports dated February 10, 2012.

## 2 Water Testing Expense

Participation in the ADEQ Monitoring Assistance Program ("MAP") is mandatory for water systems which serve less than 10,000 persons (approximately 3,300 service connections).

Bidegain reported its water testing expense at \$574 during the test year. Based on data provided by the Company, Staff's estimated average annual water testing expenses for the Company at \$594. Table A lists Staff's annual monitoring expense estimates totaling \$594 with participation in the MAP<sup>6</sup>.

Staff recommends its annual water testing expense of \$594 be used for this proceeding.

Table A. Water Testing Cost

Monitoring	Cost per Sample	Number of samples per year	Average Annual Cost
Total coliform – monthly	\$20	12	\$240
Lead & Copper – per 3 years	\$30	5/3-yrs	\$50
MAP – IOCs, SOCs, VOCs, Radiochemical, Nitrate, Nitrite, Asbestos- annually	MAP	MAP	\$304
Total			\$594

## IV. ADWR COMPLIANCE<sup>7</sup>

Bidegain's system is not located in an ADWR designated Active Management Area.

The ADWR has determined that the Bidegain water system is not in compliance with ADWR requirements, as the Company has not filed its Community Water System Water Plan.

## V. ACC COMPLIANCE

A check with Utilities Division Compliance Section showed that there are currently no delinquent compliance items for the Company.<sup>8</sup>

<sup>6</sup> The ADEQ MAP invoice for the 2010 Calendar Year was \$594, rounded.

<sup>7</sup> Per ADWR Compliance Report dated January 10, 2012.

<sup>8</sup> Per ACC Compliance status check dated February 10, 2012.



**VI. DEPRECIATION RATES**

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table B. Staff recommends that the Company use Staff's typical and customary depreciation rates in the accounts listed in Table B.

**TABLE B**  
**DEPRECIATION RATE TABLE FOR WATER COMPANIES**

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

NOTE: Acct. 348, Other Tangible Plant may vary from 5 percent to 50 percent. The depreciation rate would be set in accordance with the specific capital items in this account.

## VII. OTHER ISSUES

### 1. Service Line and Meter Installation Charges

In its initial filing the Company did not request changes to its current service line and meter installation charges. The Company's current charges are lower than Staff's customary range of charges. After discussion with Staff, Bidegain requests the lower end of Staff's customary range of charges. Also, since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been developed by Staff.

Staff recommends its charges labeled "Staff's Recommendation" in Table C.

**TABLE C**  
**SERVICE LINE AND METER INSTALLATION CHARGES**

Meter Size	Company Current Tariff	Staff's Recommendation		
		Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4-inch	\$120	\$415	\$105	\$520
3/4-inch	N/A	\$415	\$205	\$620
1-inch	N/A	\$465	\$265	\$730
1-1/2-inch	N/A	\$520	\$475	\$995
2-inch	N/A	\$800	\$995	\$1,795
3-inch	N/A	\$1,015	\$1,620	\$2,635
4-inch	N/A	\$1,430	\$2,570	\$4,000
6-inch	N/A	\$2,150	\$4,925	\$7,075

### 2. Curtailment Plan Tariff

The Company filed a curtailment plan tariff on April 25, 2012 (Docket No. 12-0151).

### 3. Backflow Prevention Tariff

The Company filed a backflow prevention tariff on April 25, 2012 (Docket No. 12-0152).

### 4. Best Management Practices ("BMPs")

The Company does not have any approved BMP tariffs. Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>.

Staff further recommends that a maximum of two of these BMPs may come from the “Public Awareness/Public Relations” or “Education and Training” categories of the BMP’s. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

## MEMORANDUM

TO: Vicki Wallace  
Executive Consultant  
Utilities Division

FROM: Katrin Stukov  
Utilities Engineer *DS for*  
Utilities Division

DATE: February 14, 2013

RE: Bidegain Water Company (CC&N Application)  
Docket No. 12-0378

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### Introduction

On August 29, 2012 Bidegain Water Company ("Bidegain" or "Company") filed an application for a Certificate of Convenience and Necessity ("CC&N") to comply with the Procedure Order dated May 25, 2012 (Docket No. 11-0470). The Company is providing service to approximately 20 customers near Kearny, Pinal County. The requested area covers approximately 28 acres (less than one square mile).

### Water System

#### *Operation*

The Bidegain water system is located approximately one mile north of Kearny, east of Arizona Highway 177 on the old Ray Road. Based on the Company's Plant Description<sup>1</sup>, the water system includes one active well, one back-up well, two storage tanks (10,000 gallons and 50,000 gallons), a 1,000 gallon pressure tank, two booster pumps, one fire hydrant, approximately 2,515 feet of water main and 20 customer meters.

#### *Capacity*

Based on the water use data provided by Bidegain<sup>2</sup>, Staff concludes that the Company's well production capacity of 35 GPM and storage capacity of 60,000 gallons are adequate to serve the present customer base and reasonable growth.

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<sup>1</sup> Per the Company's response received on February 8, 2013

<sup>2</sup> Per Companies response received on February 8, 2013

### **Arizona Department of Environmental Quality (“ADEQ”) Compliance**

According to an ADEQ compliance status report dated October 19, 2012, ADEQ reported that the Bidegain water system has no major deficiencies, is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and is in compliance with ADEQ requirements.

### **Arizona Department of Water Resources (“ADWR”) Compliance**

Bidegain’s system is not located in an ADWR designated Active Management Area. According to an ADWR compliance status report dated September 19, 2012, ADWR reported that the Bidegain water system is currently in compliance with ADWR requirements.

### **Arizona Corporation Commission (“ACC”) Compliance**

On September 21, 2012, the Utilities Division Compliance Section indicated that the Company has no delinquent ACC compliance items.

### **Curtailment Tariff**

The Company has an approved Curtailment Tariff.

### **Backflow Prevention Tariff**

The Company has an approved Backflow Prevention Tariff.

### **Conclusions**

1. The Bidegain water system has adequate well production and storage capacity to serve its present customer base and reasonable growth.
2. The Company is in compliance with ADEQ, ADWR and ACC regulations.